

**SALINA AREA
TECHNICAL COLLEGE**

Salina, Kansas

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
June 30, 2015**

SALINA AREA TECHNICAL COLLEGE

Salina, Kansas

Table of Contents

	Page Number
Board Members	ii
Independent Auditor's Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Statement of Net Position	10
Statement of Activities	11
Statement of Cash Flows	13
Notes to Financial Statements	15
Supplemental Information	24
Statement of Revenues and Expenses Compared to Budget	25
Schedule of Management Information Schedule of Expenses by Function and Object	26
Schedule of Expenditures of Federal Awards	30
Notes to Schedule of Expenditures of Federal awards	31
Special Reports	32
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on An Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	33
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	34
Schedule of Findings and Questioned Costs	36
Prior Year Schedule of Findings and Questioned Costs	36

SALINA AREA TECHNICAL COLLEGE

Salina, Kansas

BOARD OF TRUSTEES

Natalie Fischer
Todd Smith
Robert Miller
Thomas Mertz
Tom Pestinger
Larry Pankratz
Chris Baker
Fredia Mai-Weis
LuAnn Puvogel

SATC ADMINISTRATION

Greg Goode
Monte Couchman
Andrew Manley
Susan Eberwein
Mark Ontiveros
Denise Hoeffner
Blane Schlöo
Laura Robertson

President
Vice President of Instruction
Vice President of Administrative Services
Vice President of Student Services
Director of Facilities
Director of Inst. Research/Registrar
Director of Recruiting
Director of Grants & Planning

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Salina Area Technical College
Salina, Kansas

Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities and aggregate discretely presented component unit of Salina Area Technical College, as of and for the year ended June 30, 2015 and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of this financial statement in accordance with accounting principles generally accepted in the United States of America. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Kansas Municipal Audit and Accounting Guide*. Those standards require we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, the financial statement referred to above presents fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component unit as of June 30, 2015 and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Report on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 to 9 and 24 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

Report on Required Supplementary Information

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the College's basic financial statement. The schedules of revenues and expenses compared to budget and expenses by function and object (Schedules 1 and 2 as listed in the table of contents) are presented for analysis and are not a required part of the basic financial statement. The accompanying Schedule of Expenditures of Federal Awards is also presented for purposes of additional analysis as required by *U.S. Office of Management and Budget Circular A-133 Audits of States, Local Governments and Non-Profit Organizations* and is also not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statement as a whole

Other reporting required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 2016 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.



Agler & Gaeddert, Chartered
February 10, 2016

SALINA AREA TECHNICAL COLLEGE

Salina, Kansas

Management's Discussion and Analysis (MD&A)

June 30, 2015

INTRODUCTION

Our discussion and analysis of Salina Area Technical College (College) financial performance provides an overview of the College's financial activities for the fiscal year ended June 30, 2015. Since this management's discussion and analysis is designed to focus on current activities, resulting change and currently known facts, it should be read in conjunction with the College's financial statements, which follow this section.

USING THIS ANNUAL REPORT

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, issued June 1999; and GASB Statement No. 37, *Basic Financial Statement – and Management Discussion and Analysis – for State and Local Governments: Omnibus*, an amendment to GASB Statement No. 21 and No. 34, issued in June 2001. This financial statement format (implemented in the fiscal year ended June 30, 2010) focuses on the College as a whole.

The financial statements are designed to emulate corporate presentation models whereby all College activities are consolidated into one total. The focus on the Statement of Net Position is designed to be similar to bottom line results for the College. This statement combines and consolidates current financial resources (short-term spendable resources) with capital assets. The Statement of Revenues, Expenses, and Changes in Net Position focuses on both the gross costs and the net costs of College activities, which are supported substantially by state aid, state and federal grants, student tuition and fees. This approach is intended to summarize and simplify the user's analysis of the cost of various College services to students and the public.

FINANCIAL HIGHLIGHTS

- ❑ Total net position was \$4,777,186 on June 30, 2015. This decrease was due to the net impact of prior capital expenditures compared to current fiscal year capital expenditures. The College completed less capital expenditure projects than in past fiscal years. This caused a slight decrease in net assets due to accumulated depreciation being higher than newly capitalized assets.
- ❑ Overall revenues were \$4,688,758 which was less than expenses of \$4,694,139 by \$5,381. Revenue from post-secondary tuition was lower than in years past, therefore reducing the net position. Salina Area Technical College attributes this decrease in post-secondary enrollment to the improving economic picture. Technical College enrollment and the economy historically have an inverse relationship.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts -- management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The three sections together provide a comprehensive overview of the College. The basic financial statements are comprised of two kinds of statements that present financial information from different perspectives:

- ❑ **Government-wide financial statements**, which comprise the first three statements, provide both short-term and long-term information about the entity's overall financial position.
- ❑ **Fund financial statements** focus on reporting the individual parts of the College operations in more detail. The College has only one fund as of June 30, 2015.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The basic financial statements are followed by a section of supplementary information that further explains and supports the financial statements.

SALINA AREA TECHNICAL COLLEGE

Salina, Kansas

Management's Discussion and Analysis (MD&A)

June 30, 2015

OVERVIEW OF FINANCIAL STATEMENTS - continued

Government-Wide Statements

The government-wide statements report information about the College as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the College's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of revenues, expenses and changes in fund balance regardless of when cash is received or paid.

The government-wide statements report the College's net position and how it has changed. Net position, the difference between the assets and liabilities, are one way to measure the College's financial health.

- ❑ Over time, increases or decreases in the College's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- ❑ To assess the overall health of the College, one needs to consider additional non-financial factors such as changes in enrollment, changes in program funding by the Federal and State governments, and condition of facilities.

The government-wide financial statements of the College include all activities. The College's basic services are included here, such as regular education, maintenance, and general administration. Tuition, state aid and federal and state grants finance most of these activities.

Fund Financial Statements

- ❑ The fund financial statements provide more detailed information about the College's most significant funds -- not the College as a whole. Funds are accounting devices that the College uses to keep track of specific sources of funding and spending for particular programs. As of June 30, 2015 the College only has one fund.

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

FINANCIAL HIGHLIGHTS

As the College completed the year, its operations reported a net decrease of \$5,381, which was a decrease over last year's operations. Tuition and state appropriations are the primary source of funding for the College's academic programs.

Net Position

The College's combined net position was \$4,777,186 at June 30, 2015. See Table 1 which follows.

Operating Fund Budgetary Highlights

Over the course of the year, the College revises its annual budget to reflect unexpected changes in revenues and expenditures. A schedule of the College's original and final budget amounts compared with actual revenues and expenses is provided in the supplemental section of the audited financial report.

SALINA AREA TECHNICAL COLLEGE

Salina, Kansas

Management's Discussion and Analysis (MD&A)

June 30, 2015

Changes in Net Position

The College's total revenues were \$4,688,758. Revenue sources are as follows: state aid of \$2,634,692 or 56%, student tuition and fees of \$1,392,181 or 30%, grants and contracts of \$652,993 or 14% and interest income of \$8,892 or less than 1%. See Table 2 which follows. The total cost of all programs and services was \$4,694,139. The College's expenses are predominately related to instruction of students of \$2,271,215 or 44%, academic support expenses of \$263,325 or 6% and student services expenses of \$355,371 or 8%. Administrative expenses accounted for \$697,796 or 15% of total costs. The maintenance expenses accounted for \$1,048,478 or 22%. Other expenses accounted for \$222,912 or 5%. There are currently no other known facts, decisions or conditions that will have a significant effect on the financial position (net Position) or results of operations (revenues, expenses, and changes in net Position).

Table 1 -- Net Position

This schedule is prepared from the College's Statement of Net Position, which is presented on an accrual basis of accounting whereby assets are capitalized and depreciated.

	2015	2014	
	Business-type	Business-type	
ASSETS	Activities	Activities	Net change
Currents Assets			
Cash and demand deposits	\$ 1,670,211	\$ 1,914,983	\$ (244,772)
Cash - Student accounts	17,043	20,812	(3,769)
Accounts receivable net of allowance for doubtful accounts	91,985	61,107	30,878
Accounts receivable - student activities	0	0	0
Prepaid expenses	13,245	52,436	(39,191)
Inventory	107,378	12,383	94,995
Total current assets	<u>1,899,862</u>	<u>2,061,721</u>	<u>(161,859)</u>
Noncurrent Assets			
Capital assets, net	<u>3,104,826</u>	<u>3,001,949</u>	<u>102,877</u>
Total noncurrent assets	<u>3,104,826</u>	<u>3,001,949</u>	<u>102,877</u>
Total assets	<u>\$ 5,004,688</u>	<u>\$ 5,063,670</u>	<u>\$ (58,982)</u>
LIABILITIES			
Current Liabilities			
Accounts payable	\$ 31,575	\$ 67,396	\$ (35,821)
Accrued liabilities	159,963	160,917	(954)
Due to student accounts	17,043	20,812	(3,769)
Deferred revenue	18,921	31,978	(13,057)
Total current liabilities	<u>227,502</u>	<u>281,103</u>	<u>(53,601)</u>
NET POSITION			
Invested in capital assets, net of any related debt	3,104,826	3,001,949	102,877
Unrestricted	<u>1,672,360</u>	<u>1,780,618</u>	<u>(108,258)</u>
Total net position	<u>\$ 4,777,186</u>	<u>\$ 4,782,567</u>	<u>\$ (5,381)</u>

SALINA AREA TECHNICAL COLLEGE

Salina, Kansas

Management's Discussion and Analysis (MD&A)

June 30, 2015

Table 2 -- Changes in Net Position

	2015	2014	Net
REVENUES	Business-type Activities	Business-type Activities	Change
Operating Revenues			
Student tuition	\$ 905,062	\$ 931,165	\$ (26,103)
Institution fees	138,320	141,458	(3,138)
Program fees	200,246	242,990	(42,744)
Testing Fee	23,262	24,949	(1,687)
Administrative	31,131	29,723	1,408
Bookstore sales	77,072	83,059	(5,987)
Other	17,088	6,375	10,713
Total operating revenues	<u>1,392,181</u>	<u>1,459,719</u>	<u>(67,538)</u>
EXPENSES			
Operating Expenses			
Instruction	2,048,303	1,943,855	104,448
Academic support	263,325	0	263,325
Student services	355,371	341,849	13,522
Administration	697,796	793,727	(95,931)
Maintenance	1,048,478	1,081,644	(33,166)
Cost of books sold	57,954	102,215	(44,261)
Total operating expenses	<u>4,471,227</u>	<u>4,263,290</u>	<u>207,937</u>
Operating income (loss)	<u>(3,079,046)</u>	<u>(2,803,571)</u>	<u>(275,475)</u>
NONOPERATING REVENUES (EXPENSES)			
State appropriations	2,634,692	2,564,168	70,524
Capital outlay grant	127,938	130,299	(2,361)
Capital outlay expense	(56,090)	(88,782)	32,692
Carl Perkins grant	112,694	100,481	12,213
Carl Perkins expense	(60,555)	(59,709)	(846)
Delta Kappa Gamma grant	1,000	0	1,000
Delta Kappa Gamma expenses	(786)	0	(786)
Trac-7 Grant	54,280	109,479	(55,199)
Trac-7 Grant expense	(54,280)	(94,660)	40,380
Vehicle Extravaganza income	8,756	0	8,756
Vehicle Extravaganza expense	(9,443)	0	(9,443)
ATT grant	2,918	0	2,918
ATT expense	(3,085)	0	(3,085)
Dental grant	84,137	0	84,137
Dental grant expense	(4,459)	0	(4,459)
Other grants	250,332	0	250,332
Other grant expense	(34,192)	273,543	(307,735)
MAMTC grant	5,400	3,176	2,224
MAMTC grant expense	(22)	(3,176)	3,154
Investment income	7,338	8,892	10,514
Work orders	7,092	(1,127)	8,219
Net nonoperating revenues	<u>3,073,665</u>	<u>2,942,584</u>	<u>131,081</u>
Increase in net position	<u>(5,381)</u>	<u>139,013</u>	<u>(144,394)</u>
Net position - beginning of year	<u>4,782,567</u>	<u>4,643,554</u>	<u>139,013</u>
Net position - end of year	<u>\$ 4,777,186</u>	<u>\$ 4,782,567</u>	<u>\$ (5,381)</u>

In 2014 Academic support expenses were included in instruction and student services.

SALINA AREA TECHNICAL COLLEGE

Salina, Kansas

Management's Discussion and Analysis (MD&A)

June 30, 2015

CAPITAL ASSETS**Table 3 -- Capital Assets**

	2015	2014	
	Business-type	Business-type	Net
	Activities	Activities	Change
Capital Assets			
Building improvements	\$ 2,651,657	\$ 2,514,354	\$ 137,303
Furniture	107,395	107,395	0
Equipment	1,475,280	1,064,797	410,483
Vehicles	73,700	73,700	0
Computer software	150,761	135,219	15,542
Computer	509,487	470,452	39,035
TOTAL COSTS	4,968,280	4,365,917	602,363
Less Accumulated Depreciation			
Building improvements	531,452	360,232	171,220
Furniture	44,416	33,078	11,338
Equipment	672,538	440,134	232,404
Vehicles	50,934	39,437	11,497
Computer software	137,688	129,268	8,420
Computer	426,426	361,819	64,607
TOTAL ACCUMULATED DEPRECIATION	1,863,454	1,363,968	499,486
Net Capital Assets	\$ 3,104,826	\$ 3,001,949	\$ 102,877

The College did not report capital assets and accumulated depreciation until 2010 when the College switched from a cash basis reporting in 2009 to full accrual basis. The College believes that capital assets not capitalized in prior years would be fully depreciated and thus has not made any adjustments for capital assets and accumulated depreciation for years prior to July 1, 2009.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

At the time these financial statements were prepared and audited, the College was aware of several circumstances that could affect its future financial health:

- As the economy continues to improve, the College expects to have a more difficult time recruiting post-secondary students. Marketing campaigns, as well as, continued community exposure are at the utmost importance to enhance the image of the College. The recently completed remodel of the main building on campus enhances the collegiate feel for prospective students deciding on their future. All of these functions will combat the effects of the strengthening economy.
- The governor of the State of Kansas is a strong advocate of technical education. The governor's campaign to increase the amount of high school students graduating from high school with a technical education degree has been very successful. To promote this campaign, he has allocated public dollars towards this campaign to reduce the amount of barriers high school students run into as well as entice secondary schools to encourage this potential avenue. Salina Tech continues to increase the number of high school students it serves.

SALINA AREA TECHNICAL COLLEGE

Salina, Kansas

Management's Discussion and Analysis (MD&A)

June 30, 2015

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES - continued

- Tiered funding reimbursement from the State of Kansas has been frozen for the past six year up until FY 15. Due to a state budget shortfall, the Kansas Board of Regents withheld 2% of the budgeted post-secondary funding to help meet the budget shortfall. As this was late in the budget year, Salina Area Technical College was not given enough time to adjust, causing a negative net income for the fiscal year. This 2% withholding has been restored for the foreseeable future.
- The College has continued to expand their general education course offering to give students a more diverse education. The College now offers multiple sections of technical writing, technical math, college algebra, as well as a handful of developmental education courses. These courses are low enrolled but continue to expand and grow. Once accreditation is secure, the offerings of general education should positively impact the financial health of the College. In addition, partnerships with area USDs to offer concurrent General Education courses will increase enrollment.
- The College is financially sound. Expenditures are carefully monitored and managed to maximize effective use of available fiscal resources. The College has no debt and continues to have adequate reserve funds if needed for one-time expenditures and projects.
- Industry donations of equipment and funds, the initiation of an Alumnae Association, the SATC Foundation, and the writing of significant grants will provide improvements to instruction and fiscal resources to improve the College's ability to meet the needs of its stakeholders.

Looking to the Future

The College looks forward to receiving its initial accreditation from the Higher Learning Commission. Research from other like-sized institutions has shown a dramatic increase in general education credits generated once initial accreditation was received. Salina Tech continues to expand in their general education offerings in preparation for this increase. More students are taking advantage of these low-cost general education offerings as they now transfer to Kansas State, Bethany, and Kansas Wesleyan to name a few locally. Once initial accreditation is received, these courses will transfer system wide.

To realize new avenues for expansion, the College is seeking different ways to utilize the campus. Most of the full time programs the College offers are held during the daytime, with minimal activity occurring during nights, weekends, and the summer months. Salina Tech is investigating ways of offering courses during these times, if applicable.

CONTACTING THE COLLEGE'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, Kansas Board of Regents, taxpayers, parents, participants, investors and creditors with a general overview of the College's finances and to demonstrate the College's accountability for the money it receives. For further information please contact Greg Goode, President, 2562 Centennial Rd. Bldg. A, Salina, Kansas 67401.

FINANCIAL STATEMENTS

SALINA AREA TECHNICAL COLLEGE

Salina, Kansas

Statement of Net Position

June 30, 2015

	Business-type Activities	Component Unit Endowment
ASSETS		
Currents Assets		
Cash and demand deposits	\$ 1,670,211	\$ 0
Cash - Student accounts	17,043	0
Total cash and cash equivalents	1,687,254	0
Accounts receivable - net of allowance for doubtful accounts	91,985	2,928
Investments	0	170,177
Prepaid expenses	13,245	0
Inventories	107,378	0
Total current assets	1,899,862	173,105
Noncurrent Assets		
Capital assets, net	3,104,826	0
Total noncurrent assets	3,104,826	0
Total assets	\$ 5,004,688	\$ 173,105
LIABILITIES		
Current Liabilities		
Accounts payable	\$ 31,575	\$ 5,225
Accrued liabilities	159,963	0
Due to students and student activity	17,043	0
Deferred revenue	18,921	0
Total current liabilities	227,502	5,225
NET POSITION		
Invested in capital assets	3,104,826	0
Restricted for		
Expendable		
Scholarships and fellowships	0	151,155
Building remodel	0	16,725
Unrestricted	1,672,360	0
Total net position	\$ 4,777,186	\$ 167,880

The accompanying notes are an integral part of this statement.

SALINA AREA TECHNICAL COLLEGE

Salina, Kansas

Statement of Activities

For the Year Ended June 30, 2015

	Business-type Activities	Component Unit Endowment
REVENUES		
Operating Revenues		
Student tuition	\$ 905,062	\$ 0
Institution fees	138,320	0
Program fees	200,246	0
Testing Fee	23,262	0
Administrative	31,131	0
Bookstore sales	77,072	0
Other	17,088	0
Total operating revenues	<u>1,392,181</u>	<u>0</u>
EXPENSES		
Operating Expenses		
Instruction	2,048,303	0
Academic Support	263,325	0
Student Services	355,371	0
Administration	697,796	0
Maintenance	1,048,478	0
Bookstore expenses	57,954	0
Total operating expenses	<u>4,471,227</u>	<u>0</u>
Operating income (loss)	<u>(3,079,046)</u>	<u>0</u>
NONOPERATING REVENUES (EXPENSES)		
State appropriations	2,634,692	0
Capital outlay grant	127,938	0
Capital outlay grant expenses	(56,090)	0
Carl Perkins grant	112,694	0
Carl Perkins grant expenses	(60,555)	0
Delta Kappa Gamma grant	1,000	0
Delta Kappa Gamma grant expenses	(786)	0
Trac-7 Grant	54,280	0
Trac-7 Grant expenses	(54,280)	0
Vehicle Extravaganza income	8,756	0
Vehicle Extravaganza expenses	(9,443)	0
ATT grant	2,918	0
ATT grant expenses	(3,085)	0
Dental grant	84,137	0
Dental grant expense	(4,459)	0
Other grants	250,332	0
Other grant expenses	(34,192)	0
MAMTC grant	5,400	0
MAMTC grant expense	(22)	0
Investment income	7,338	7,264

The accompanying notes are an integral part of this statement.

SALINA AREA TECHNICAL COLLEGE

Salina, Kansas

Statement of Activities

For the Year Ended June 30, 2015

	Business-type Activities	Component Unit Endowment
NONOPERATING REVENUES (EXPENSES)		
Work orders	\$ 7,092	\$ 0
Contributions	0	55,055
Realized gains and losses	0	2,162
Unrealized gains and losses	0	(5,509)
Scholarships	0	(6,700)
Other	0	(6,565)
	<u>3,073,665</u>	<u>45,707</u>
Net nonoperating revenues (expenses)		
	(5,381)	45,707
Increase in net position		
Net Position		
Net position - beginning of year	4,782,567	122,173
Net position - end of year	<u>\$ 4,777,186</u>	<u>\$ 167,880</u>

The accompanying notes are an integral part of this statement.

SALINA AREA TECHNICAL COLLEGE

Salina, Kansas

Statement of Cash Flows

For the Year Ended June 30, 2015

	Business-type Activities	Component Unit Endowment
CASH FLOWS FROM OPERATING ACTIVITIES		
Student tuition	\$ 845,269	\$ 0
Institution fees	138,320	0
Program fees	200,246	0
Testing Fees	23,262	0
Administrative	31,131	0
Bookstore sales	77,072	0
Other	17,088	0
Payments to employees	(2,735,970)	0
Payments to vendors	(1,316,260)	0
Net cash provided (used) by operating activities	(2,719,842)	0
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	2,634,692	0
Grants	638,699	0
Grant expenses	(213,469)	0
Fundraising income	8,756	0
Fundraising expenses	(9,443)	0
Work orders	7,092	0
Contributions	0	52,848
Scholarships	0	(1,475)
Net cash provided by noncapital financing activities	3,066,327	51,373
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Acquisition of capital assets	(602,364)	0
Net cash used by capital financing activities	(602,364)	0
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	7,338	7,264
Realized gains and losses	0	2,162
Unrealized gains and losses	0	(5,509)
Other		(6,565)
Reinvested	0	(48,725)
Net cash provided by investing activities	7,338	(51,373)
Net increase in cash	(248,541)	0
Cash - beginning of the year	1,935,795	0
Cash - end of year	\$ 1,687,254	\$ 0

The accompanying notes are an integral part of this statement.

SALINA AREA TECHNICAL COLLEGE

Salina, Kansas

Statement of Cash Flows

For the Year Ended June 30, 2015

	<u>Business-type Activities</u>	<u>Component Unit Endowment</u>
Reconciliation of net operating Income (loss) to net cash provided (used) by operating activities		
Operating income (loss)	\$ (3,079,046)	\$ 0
Adjustments to reconcile net income (loss) to net cash:		
Depreciation expense	499,485	0
Bad debt expense	15,863	0
Change in assets and liabilities:		
Receivables	(46,736)	0
Prepaid expenses	39,191	
Inventory	(94,995)	0
Accounts payable	(35,821)	0
Accrued liabilities	(957)	0
Due to student accounts	(3,769)	0
Deferred revenue	(13,057)	0
Net cash provided (used) by operating activities	<u>\$ (2,719,842)</u>	<u>\$ 0</u>

The accompanying notes are an integral part of this statement.

SALINA AREA TECHNICAL COLLEGE

Salina, Kansas

Notes to Financial Statements

June 30, 2015

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Salina Area Technical College (College), Salina, Kansas, a member institution of the Kansas Board of Regents system, provides a range of educational programs to meet the needs of the adult population of Salina Area. Included in this range of programs are technical and occupational associate degree, diploma and certificate curricula consistent with the needs of employers in the College's service area. The College also provides various developmental education programs, support services and offering to assist students in meeting their personal and professional educational objectives.

The College was originally established in 1964 as the Salina Area Vocational Technical School under the Kansas Statutes Annotated 72-4401 *et seq.* The School was governed by the local public school board, USD 305 until July 1, 2009. As a result of legislative action, the School applied to become an independent technical college and was granted college status under Kansas Statutes Annotated 72-4477a, *et seq.* On July 1, 2009 the College began operations as Salina Area Technical College with a new Board of Trustees as their governance model.

The Board consists of nine appointed members with one selection coming from The City of Salina, Saline County, USD #305, and the Salina Area Chamber of Commerce. Two additional at-large positions and three positions representing Health Care, Manufacturing, and Service Industries are appointed by the Board from a list of applicants. The Board of Trustees establishes policy and overall direction by which the College is governed.

A. Reporting Entity

The Board of Trustees of Salina Area Technical College control is the basic level of government, which has oversight responsibility and control over all activities related to providing educational services to students. The Board receives funding from federal and state government source entities and must comply with the compliance requirements of these funding source entities. However, the Board is not included in any other governmental "reporting entity", as defined by the Governmental Accounting Standards Board pronouncement, since board members are appointed by various levels of local government and have their own board and have decision making authority, the power to designate management, the ability to significantly influence operations, and have primary accountability for fiscal matters.

The College has implemented Governmental Accounting Standards Board (GASB) Statement Number 39, *Determining Whether Certain Organizations are Component Units*. This Statement amends GASB Statement No. 14, *The Financial Reporting Entity* to provide additional guidance to determine whether certain organizations for which the College is not financially accountable should be reported as component units based on the nature and significance of their relationship with the College. The Salina Area Technical College Education Foundation is included in these financial statements as a discretely presented component unit.

Salina Area Technical College Education Foundation is a not-for-profit corporation formed under the laws of the State of Kansas. The entity benefits the College's students by providing scholarships to assist with the costs of attending the College.

As defined by generally accepted accounting principles established by the Governmental Accounting Standards Board (GASB), the financial reporting entity consists of the primary government and the component unit.

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB), including Statement No. 34, *Basic Financial statements – and Management's Discussion and Analysis, for State and Local Governments* and Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis of Public Colleges and Universities*, issued in June and November, 1999. The financial statement presentation required by GASB Statements No. 34 and 35 provides a comprehensive, entity-wide perspective of the College's assets, liabilities, net assets, revenues, expenses, changes in net assets and cash flows. Accordingly for financial reporting purposes, the College is considered a special-purpose government engaged only in business-type activities.

SALINA AREA TECHNICAL COLLEGE

Salina, Kansas

Notes to Financial Statements

June 30, 2015

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation - continued

Consequently, the College's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency and intra-fund transactions have been eliminated. When both restricted and unrestricted resources are available for use, it is the College's policy to use restricted resources first, then unrestricted resources as needed.

Fund types and major funds consist of the following:

Governmental funds

The College has no governmental funds.

Proprietary funds

Financial statements of the reporting entity's programs are organized and reported as an enterprise fund and are accounted for by providing a set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Enterprise funds are used to account for business-like activities provided to students. These activities are financed primarily by tuition and/or state and federal funding and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes all of the College's activities as an enterprise fund

Non-exchange transactions, in which the College receives value without directly giving equal value in return, includes; federal, state, and local grants; state appropriations, and other contributions. On an accrual basis, revenue from grants, state appropriations, and other contributions is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the College must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the College on a reimbursement basis.

The accounting policies of the College conform to accounting principles generally accepted in the United States of America as applicable to colleges and universities. The College's reports are based on all applicable GASB pronouncements as well as applicable Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure, issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. When applicable, certain prior year amounts have been reclassified to conform to the current year presentation. The following is a summary of the more significant policies.

C. Cash and Cash Equivalents

Cash includes deposits held at local financial institutions plus small amounts maintained for change funds. Cash equivalents include certificates of deposit with maturities of three months or less.

D. Accounts Receivable

Accounts receivable consist primarily of student accounts for books and class fees. An allowance for doubtful accounts is based upon approximately 50% of the receivables that are more than 90 days past due.

E. Inventories

Inventories consist of books and supplies which will be sold to students and are stated at cost. Inventories also include a land (a lot) purchased to build a house on for the carpentry program which is valued at cost.

SALINA AREA TECHNICAL COLLEGE

Salina, Kansas

Notes to Financial Statements

June 30, 2015

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

F. Fair Value of Financial Instruments

The College's financial instruments are cash and cash equivalents, accounts receivable and accounts payable. The recorded values of the above listed financial instruments approximate their fair values based on their short-term nature.

G. Deferred Revenues

Deferred revenues include: (1) amounts received for tuition and fees prior to the end of the fiscal year that are related to the subsequent fiscal year; and (2) amounts received from grant and contract sponsors that have not been earned. Total deferred revenue for year ended June 30, 2015 was \$18,921.

H. Net Position

GASB Statement No. 34 reports equity as "Net Position" rather than "fund balance". Net position is classified according to external donor restrictions or availability of assets for satisfaction of College obligations. The College's net position is classified as follows:

Invested in capital assets – This represents the College's total investment in capital assets, net of accumulated depreciation.

Restricted net position -- expendable – This includes resources that the College is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties. When both restricted and unrestricted resources are available for use, it is the College's policy to use restricted resources first; then unrestricted resources when they are needed.

Restricted net position - building remodel - These are funds which the Board has set aside for future building remodeling. Since the Board has made the designation, the Board can remove the designation at anytime either because the College has remodeled the building or the Board decides to remove the designation and put the funds back into unrestricted.

Unrestricted net position – This includes resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the College and may be used at the discretion of the governing board to meet current expenses for any purpose.

When expenditures are incurred for purposes for which either restricted or unrestricted net positions are available, the College considers restricted funds to have been spent first.

I. Donor-Restricted Endowments

The College invests all donor-restricted endowments in a mutual fund. Actual earnings of the investments are allocated based on each endowment's portion of the balance. Earnings are then transferred to the College for spending as restricted by the donor.

J. Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the basic financial statements and reported amounts of revenues and expenses during the reporting period. Actual amounts may differ from those estimates.

SALINA AREA TECHNICAL COLLEGE

Salina, Kansas

Notes to Financial Statements

June 30, 2015

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

K. Capital Assets

Capital assets include property, plant equipment, and infrastructure assets, such as parking lots and sidewalks. The College defines capital assets as assets with an initial unit cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets' lives are not capitalized. Major outlays of capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment of the College are depreciated using the straight-line method over the following useful lives:

Building improvements	7-15 years
Equipment	5-10 years
Vehicles	5 years
Computers	3 years

L. Classification of Revenues

The College has classified its revenues as either Operating or Non-Operating. Operating revenues include activities that have the characteristics of exchange transactions, such as (a) student tuition and (b) fees and rentals. Non-operating revenue includes activities that have the characteristics of non-exchange transactions such as (a) state appropriations (b) most federal, state, and local grants and contracts and federal appropriations, and (c) gifts and contributions.

M. Federal Financial Assistance Programs

The College participates in federally funded Pell Grant and Federal Family Education Loans programs. Federal programs are audited in accordance with the Single Audit Act Amendments of 1996 and the U.S. Office of Management and Budget Revised Circular A-133

N. Financial Aid

Financial aid to students is reported in the basic financial statements under the alternative method as prescribed by the National Foundation of College and University Business Offices (NACUBO). Certain aid, such as loans and funds provided to students as awarded by third parties, is accounted for as a third party payment (credited to the student's account as if the student made the payment).

O. Compensated Absences

It is the College's policy to grant employee's ten (10) leave days for each school year. Any unused leave is allowed to accumulate to a maximum of 120 days. Upon retirement or resignation, those with fifteen (15) years or more of service shall receive compensation for days of unused accumulated leave at the rate of \$10 per day. The estimated amount of unused accumulated leave which qualifies for the \$10 pay out was \$24,175 for year ended June 30, 2015 and is included in accrued liabilities.

P. Budget

In accordance with Kansas statutes, the College has prepared an annual operating budget for submission to the Kansas Board of Regents. The budget establishes the amount of post secondary aid to be received. The budget sets the level for expenditures at the fund level. As the amount of post secondary aid is established by formula, the budget is advisory only and is not legally binding. The operating budget is prepared on the accrual basis of accounting. The Board of Regents did not require a budget to be submitted this fiscal year.

SALINA AREA TECHNICAL COLLEGE

Salina, Kansas

Notes to Financial Statements

June 30, 2015

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Q. Compliance with Kansas Statutes

References made herein to the statutes are not intended as interpretations of law, but are offered for consideration of the Director of Accounts and reports and interpretation by the County Attorney and legal representation of the College. Management is not aware of any statute violations during the year.

2. DEPOSITS AND INVESTMENTS

As of June 30, 2015, the College was invested in money markets and certificates of deposit reported at fair value with a maturity of two years or less in accordance with Kansas Statutes.

Deposits - K.S.A. 9-1401 establishes the depositories which may be used by the College. The statute requires banks eligible to hold the College's funds have a main or branch bank in the county in which the College is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The College has no other policies that would further limit interest rate risk.

Custodial credit risk – deposits. Custodial credit risk is the risk that in the event of a bank failure, the College's deposits may not be returned to it. State statutes require the College's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The College did not have any designated "peak periods" for the current year. All deposits were legally secured at June 30, 2015.

The carrying amount of the College's deposits at June 30, 2015 was \$1,687,254. Actual bank statement balances at June 30, 2015 were \$1,727,401. The difference between carrying amounts and bank balances represents primarily checks that have not cleared the bank and deposits in transit. Of the bank balance, \$500,000 was covered by federal deposit insurance, \$1,227,401 was collateralized by pledged securities held under joint custody receipts issued by third-party banks in the College's name. The third-party banks are independent of the pledging bank.

Investment Policy - K.S.A. 12-1675 limits the College's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The College has no investment policy that would further limit its investment choices. The College has no investments other than certificates of deposit.

Concentration of credit risk – State statutes place no limit on the amount the College may invest in any one issuer under K.S.A. 9-1402 and 9-1405.

Custodial credit risk – investments – For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the College will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured.

The Foundation's purpose is to raise funds for the awarding of scholarships to students attending the College. The Foundation is a not-for-profit operating as a 501(c)3 under IRS regulation. This is the only component unit of the College and will be discretely presented in the financial statements. The investments are reported at fair market value. Fair market value was obtained from quoted market values.

SALINA AREA TECHNICAL COLLEGE

Salina, Kansas

Notes to Financial Statements

June 30, 2015

2. DEPOSITS AND INVESTMENTS - continued

As of June 30, 2015, the Foundation had the following investments and maturities:

<u>Investment Type</u>	<u>Cost</u>	<u>Fair value *</u>	<u>Less than 1</u>	<u>1-2</u>	<u>Rating</u>
Wells Fargo - mutual funds					
American Cap World \$	7,305 \$	6,846 \$	6,846 \$	0	N/A
American High Income	9,819	9,352	9,352	0	N/A
Fidelity Adv. Emerg. Mkts	7,272	6,890	6,890	0	N/A
Bond Fund of America	15,498	15,408	15,408	0	N/A
Small Cap Growth	6,908	7,019	7,019	0	N/A
Goldman Sachs Tr Strategic	5,219	5,056	5,056	0	N/A
Goldman Sachs TR Finl Sq	1,652	1,652	1,652	0	N/A
Goldman Sachs Tr Final Sq	12,699	14,346	14,346	0	N/A
harbor Fund Small Cap	6,528	6,736	6,736	0	N/A
American Fund New World	5,227	5,127	5,127	0	N/A
American Fund Washington	13,497	15,163	15,163	0	N/A
Janus - Invt Fd - Flexible BD	13,865	13,704	13,704	0	N/A
John Hncock Fd Disciplined	5,143	5,007	5,007	0	N/A
Lazard FDS Inc	7,533	6,870	6,870	0	N/A
Metropolitan West Fds	15,519	15,418	15,418	0	N/A
JPMorgan - Intrepid Value	5,603	6,731	6,731	0	N/A
American Europacific Growth	7,352	8,526	8,526	0	N/A
Nuveen Invt FDs Real Estate	3,514	3,304	3,304	0	N/A
Pimco Fds - PAC invt	4,389	3,483	3,483	0	N/A
Prudential Jennison	6,010	6,747	6,747	0	N/A
T Rowe Price Blue Chip	5,063	6,792	6,792	0	N/A
	<u>\$ 165,615</u>	<u>\$ 170,177</u>	<u>\$ 170,177</u>	<u>\$ 0</u>	

* Fair value is determined by quoted market prices

3. ACCOUNTS RECEIVABLE DETAIL

	<u>Balance</u> <u>June 30, 2015</u>
Accounts receivable	\$ 19,175
Accounts receivable - student	91,898
Accounts receivable - Collections	<u>91,146</u>
	202,219
Allowance for doubtful accounts	<u>(110,234)</u>
	<u>\$ 91,985</u>

SALINA AREA TECHNICAL COLLEGE

Salina, Kansas

Notes to Financial Statements

June 30, 2015

4. INVENTORY DETAIL

	Balance June 30, 2015
Books and classroom supplies	\$ 71,346
Land - for building a house for carpentry program	<u>36,032</u>
	<u>\$ 107,378</u>

See note I.E.

5. CAPITAL ASSETS

The following table summarized the changes in capital assets for fiscal year 2015

	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets				
Building improvements	\$ 2,514,354	\$ 137,303	\$ 0	\$ 2,651,657
Furniture	107,395	0	0	107,395
Equipment	1,064,797	410,483	0	1,475,280
Vehicles	73,700	0	0	73,700
Computer software	135,219	15,542	0	150,761
Computer	<u>470,452</u>	<u>39,035</u>	<u>0</u>	<u>509,487</u>
TOTAL COSTS	<u>4,365,917</u>	<u>602,363</u>	<u>0</u>	<u>4,968,280</u>
Less Accumulated Depreciation				
Building improvements	360,232	171,220	0	531,452
Furniture	33,078	11,338	0	44,416
Equipment	440,134	232,404	0	672,538
Vehicles	39,437	11,497	0	50,934
Computer software	129,268	8,420	0	137,688
Computer	<u>361,819</u>	<u>64,607</u>	<u>0</u>	<u>426,426</u>
TOTAL ACCUMULATED DEPRECIATION	<u>1,363,968</u>	<u>499,486</u>	<u>0</u>	<u>1,863,454</u>
Net Capital Assets	<u>\$ 3,001,949</u>	<u>\$ 102,877</u>	<u>\$ 0</u>	<u>\$ 3,104,826</u>

SALINA AREA TECHNICAL COLLEGE

Salina, Kansas

Notes to Financial Statements

June 30, 2015

5. ACCRUED LIABILITIES

Accrued liabilities consist of the following:

	Balance June 30, 2015
Payroll liabilities	\$ 16,896
Payroll payable	140,409
Sales tax payable	712
Scholarships held for distribution	2,011
To be invoiced	(65)
Total	\$ 159,963

6. PENSION PLANS

Kansas Public Employees Retirement System

Plan Description – The College participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, *et seq.* KPERS' provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas' law establishes and amends benefit provisions. KPERS' issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to KPERS (611 S. Kansas, Suite 100, Topeka, Kansas 66603) or by calling 1-888-275-5737.

Funding Policy – K.S.A. 74-4919 and K.S.A. 74-49,210 established the KPERS member-employee contribution rates. Effective July 1, 2009 KPERS has two benefit structures and funding depends on whether the employee is Tier 1 or Tier 2 member. Tier 1 members are active and contributing members hired before July 1, 2009. Tier 2 members were first employed in a covered position on or after July 1, 2009. Kansas law establishes the KPERS member-employee contribution rate of 5% of covered salary for Tier 1 members commencing January 1, 2014 and 6% commencing January 1, 2015 and 6% of covered salary for Tier 2 members. Member employees' contributions are withheld by their employer and paid to KPERS according to the provisions of section 414(h) of the Internal Service Code.

The State of Kansas is required to contribute the statutory required employers share.

The College also offers a 403(b) plan for faculty and administration employees hired before July 1, 2009. Under the plan the College will contribute \$1,000 per contract year to eligible faculty members. The faculty member's are not vested in the College's contribution until the 6th consecutive year of employment and then at the following schedule: 6th year 10%, 7th year 20%, 8th year 30%, 9th year 40%, 10th year 50%, 11th year 60%, 12th year 70%, 13th year 80%, 14th year 90% and 15th year 100%. The amount contributed by the College for this retirement plan for the year ended June 30, 2015 was \$7,667.

SALINA AREA TECHNICAL COLLEGE

Salina, Kansas

Notes to Financial Statements

June 30, 2015

7. FLEXIBLE BENEFIT PLAN (I.R.C. Section 125)

The College adopted by resolution a salary-reduction flexible benefit plan ("Plan") under Section 125 of the Internal Revenue Code. All employees of the College are eligible to participate in the Plan beginning the first day of the month following their employment. Each participant may elect to reduce his or her salary to purchase benefits offered through the Plan. Currently, benefits offered through the Plan include health insurance and life insurance, dependent care coverage and a medical reimbursement plan.

8. POST EMPLOYMENT BENEFITS

As provided by Kansas statutes the College allows retired employees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the local government is subsidizing the retiree because each participant is charged a level of premium regardless of age. However the cost of this subsidy has not been quantified in these financial statements.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA) the College makes health care benefits available to eligible former employees and their dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid entirely by the insured. There is no cost to the College under this program.

9. CONTINGENCIES AND COMMITMENTS

Federal Financial Aid – Amounts received or receivable from grantor agencies are subject to audit and adjustment by these agencies, primarily the federal government. Any disallowed costs, including amounts already collected, may constitute a liability of the College. The amount, if any, of expenses which may be disallowed by the grantor cannot be determined at this time, although College management expects such amounts, if any, to be immaterial.

State Funding – Approximately 55% of the College's resources come from the State of Kansas. Due to continued funding uncertainties at the State level, future funding for the College may be reduced. The ultimate effect of this possible reduction in funding on the College's future operations is not yet determinable.

Accreditation – The Kansas Board of Regents requires that all technical colleges be accredited by the Higher Learning Commission. Salina Area Technical College is currently in candidacy status with the Higher Learning Commission, a level accepted by the Kansas Board of Regents as long as full accreditation is received. The College will become fully accredited during FY 16.

10. RISK MANAGEMENT

The College is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Management believes such coverage is sufficient to preclude any significant uninsured losses for the covered risks. Insurance claims have not exceeded commercial insurance coverage for the past three years. There were not significant reductions in insurance coverage from coverage in prior years.

11. OPERATING LEASE

The College has entered into a lease agreement as lessee for the buildings and grounds on which the College currently operates. The College leases these facilities from Unified School District Number 305 of Salina Kansas in the amount of \$305 per year for the year ended June 30, 2015 and for the next 4 years.

12. SUBSEQUENT EVENTS

The College evaluated subsequent events through January 16, 2015, the date of the financial statements were available to be issued. There were no events of such significance as to require disclosure.

SUPPLEMENTARY INFORMATION

SALINA AREA TECHNICAL COLLEGE

Salina, Kansas

Schedule I

**Statement of Revenues and Expenses Compared to Budget
For the Year Ended June 30, 2015**

REVENUES	Budget	Actual	Budget Variance
Operating Revenues			
Student tuition	\$ 1,529,050	\$ 905,062	\$ (623,988)
Institution fees	450,000	138,320	(311,680)
Program fees	0	200,246	200,246
Testing fees	0	23,262	23,262
Administrative	0	31,131	31,131
Bookstore sales	0	77,072	77,072
Other	0	17,088	17,088
Total operating revenues	<u>1,979,050</u>	<u>1,392,181</u>	<u>(586,869)</u>
EXPENSES			
Operating Expenses			
Instruction	2,009,109	2,048,303	39,194
Academic support	306,063	263,325	(42,738)
Student Services	356,755	355,371	(1,384)
Administration	726,394	697,796	(28,598)
Maintenance	610,568	1,048,478	437,910
Bookstore expenses	0	57,954	57,954
Total operating expenses	<u>4,008,889</u>	<u>4,471,227</u>	<u>462,338</u>
Operating income (loss)	<u>(2,029,839)</u>	<u>(3,079,046)</u>	<u>(1,049,207)</u>
NONOPERATING REVENUES (EXPENSES)			
State appropriations	2,010,264	2,634,692	624,428
Capital outlay grant	0	127,938	127,938
Capital outlay grant expenses	50,000	(56,090)	(106,090)
Carl Perkins grant	0	112,694	112,694
Carl Perkins grant expenses	0	(60,555)	(60,555)
Delta Kappa Gamma grant	0	1,000	1,000
Delta Kappa Gamma grant expenses	0	(786)	(786)
Trac-7 Grant	0	54,280	54,280
Trac-7 Grant expenses	0	(54,280)	(54,280)
Vehicle Extravaganza income	0	8,756	8,756
Vehicle Extravaganza expenses	0	(9,443)	(9,443)
ATT grant	0	2,918	2,918
ATT grant expenses	0	(3,085)	(3,085)
Dental grant	0	84,137	84,137
Dental grant expense	0	(4,459)	(4,459)
Other grant expenses	0	(34,192)	(34,192)
MAMTC grant	0	5,400	5,400
MAMTC grant expense	0	(22)	(22)
Investment income	0	7,338	7,338
Work orders	0	7,092	7,092
Net nonoperating revenues (expenses)	<u>2,060,264</u>	<u>3,073,665</u>	<u>1,013,401</u>
Increase in net position	<u>\$ 30,425</u>	<u>\$ (5,381)</u>	<u>\$ (35,806)</u>

See Independent Auditor's Report.

SALINA AREA TECHNICAL COLLEGE

Salina, Kansas

Schedule of Expenses by Function and Object For the Year Ended June 30, 2015

	<u>Instruction</u>	<u>Academic Support</u>	<u>Student Services</u>
Salaries	\$ 1,435,544	\$ 171,236	\$ 214,729
Social Security	109,789	12,847	14,564
Unemployment	4,685	2,297	857
Health insurance	100,056	9,845	16,651
Retirement	7,667	0	0
Faculty Professional Development	6,033	0	0
Supplies	138,683	0	1,038
Resource materials	3,847	0	0
Equipment expense	* 16,539	0	0
Software license	22,997	0	0
Instructional memberships	5,516	0	0
Student testing	24,383	0	0
Tuition assistance	38,702	0	0
High School SB151	70,924	0	0
Technology	62,938	0	0
IT services	0	67,100	0
Student liability insurance	0	0	3,629
Graduation	0	0	11,139
Postage	0	0	8,128
Travel	0	0	3,023
Printing/advertising	0	0	72,629
Web master	0	0	4,734
Professional development	0	0	1,060
Student activity	0	0	3,190
Audit/Consulting expense	0	0	0
Legal services	0	0	0
Advisory/Business meetings	0	0	0
Institutional memberships	0	0	0
HLC expense	0	0	0
KBI and drug testing	0	0	0
Bad debts	0	0	0
Payroll expense	0	0	0
HRA medical	0	0	0
FSA Flex medical	0	0	0
Discretionary fund	0	0	0
Administration - misc.	0	0	0
Clearing account	0	0	0
Bank charges and credit card discounts	0	0	0
Miscellaneous expense	0	0	0
Copy machine	0	0	0
Insurance - bldg/liability	0	0	0
Utilities	0	0	0
Building maintenance/repair	0	0	0
Depreciation	0	0	0
Equipment repair/replacement	* 0	0	0
Environmental	0	0	0

* individual amounts are below the \$5,000 capitalization policy threshold.

See Independent Auditor's Report.

Schedule 2

Administration	Maintenance	Book Store	Total
\$ 434,556	\$ 121,135	\$ 0	\$ 2,377,200
36,435	8,531	0	182,166
1,692	538	0	10,069
21,370	9,989	0	157,911
0	0	0	7,667
0	0	0	6,033
0	4,895	0	144,616
10,207	0	0	14,054
0	0	0	16,539
0	0	0	22,997
0	0	0	5,516
0	0	0	24,383
0	0	0	38,702
0	0	0	70,924
0	0	0	62,938
0	0	0	67,100
0	0	0	3,629
0	0	0	11,139
0	0	0	8,128
1,856	0	0	4,879
7,133	0	0	79,762
0	0	0	4,734
1,587	0	0	2,647
0	0	0	3,190
18,951	0	0	18,951
7,234	0	0	7,234
7,243	0	0	7,243
12,779	0	0	12,779
13,465	0	0	13,465
2,375	0	0	2,375
14,213	0	0	14,213
9,250	0	0	9,250
14,214	0	0	14,214
(2,265)	0	0	(2,265)
197	0	0	197
77,372	0	0	77,372
828	0	0	828
6,369	0	0	6,369
735	0	0	735
0	26,238	0	26,238
0	85,760	0	85,760
0	167,971	0	167,971
0	45,154	0	45,154
0	499,485	0	499,485
0	9,549	0	9,549
0	4,729	0	4,729

See Independent Auditor's Report.

SALINA AREA TECHNICAL COLLEGE

Salina, Kansas

**Schedule of Expenses by Function and Object
For the Year Ended June 30, 2015**

	Instruction	Academic Support	Student Services
Care of grounds	\$ 0	\$ 0	\$ 0
Faculty/staff uniforms	0	0	0
Vehicle operation	0	0	0
USD 305 lease	0	0	0
Student information system	0	0	0
Local capital outlay	* 0	0	0
Cost of books	0	0	0
Total	\$ 2,048,303	\$ 263,325	\$ 355,371

* individual amounts are below the \$5,000 capitalization policy threshold.

Schedule 2

Administration	Maintenance	Book Store	Total
\$ 0	\$ 949	\$ 0	\$ 949
0	3,777	0	3,777
0	12,921	0	12,921
0	305	0	305
0	10,320	0	10,320
0	36,232	0	36,232
0	0	57,954	57,954
<u>\$ 697,796</u>	<u>\$ 1,048,478</u>	<u>\$ 57,954</u>	<u>\$ 4,471,227</u>

See Independent Auditor's Report.

SALINA AREA TECHNICAL COLLEGE

Salina, Kansas

Schedule 3

**Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015**

Grant Title	Federal CFDA Number	Revenues	Expenditures
<u>U.S. Department of Education</u>			
Direct Programs			
Student Loans	84.268	\$ 696,365	\$ 696,365
Pell Grant Program	84.063	621,534	621,534
Federal Work Study Program	84.033	<u>1,687</u>	<u>1,687</u>
		1,319,586	1,319,586
Passed through			
Kansas Board of Regents			
Carl D. Perkins Vocational			
Training Program Improvement	84.048	<u>112,694</u>	<u>112,694</u>
Total Federal Assistance		\$ <u>1,432,280</u>	\$ <u>1,432,280</u>

See accompanying footnotes which are an integral part of this statement.

SALINA AREA TECHNICAL COLLEGE
Salina, Kansas

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2015

NOTE A. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal grant activity of Salina Area Technical College under programs of the federal government for the year ended June 30, 2014. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a select portion of the operations of Salina area Technical College, it is not intended to and does not present the financial position, changes in net assets or cash flows of Salina Area Technical College.

NOTE B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported in accordance with accounting principles generally accepted in the United States of America.

NOTE C. SUBRECIPIENTS

Salina Area Technical College did not provide federal awards to subrecipients for the year ended Jun 30, 2015.

SPECIAL REPORTS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Trustees
Salina Area Technical College
Salina, Kansas

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statement of Salina Area Technical College as of and for the year ended June 30, 2015, and the related notes to the financial statements, which comprise Salina Area Technical College's basic financial statements., and have issued our report thereon dated February 10, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Salina Area Technical College's internal control over financial reporting (internal controls) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of Salina Area Technical College's internal control. Accordingly, we do not express an opinion on the effectiveness of Salina Area Technical College's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that material misstatements of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose describe in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Salina Area Technical College's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Agler & Gaeddert, Chartered

Ottawa, Kansas
February 10, 2016

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Education
Salina Area Technical College
Salina, Kansas

Report on Compliance for Each Major Federal Program

We have audited Salina Area Technical College's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Salina Area Technical College's major federal programs for the year ended June 30, 2015. Salina Area Technical College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Salina Area Technical College's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Salina Area Technical College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on Salina Area Technical College's compliance.

Opinion on Each Major Federal Programs

In our opinion, Salina Area Technical College complied in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2015.

Report Internal Control over Compliance

Management of Salina Area Technical College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Salina Area Technical College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with *OMB Circular A-133*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Salina Area Technical College's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based upon requirements of *OMB Circular A-133*. Accordingly, this report is not suitable for any other purpose.

Ogler & Gaddert, Chartered

Ottawa, Kansas
February 10, 2016

SALINA AREA TECHNICAL COLLEGE

Salina, Kansas

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2015

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? No

Significant deficiencies identified not considered to be material weaknesses: No

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? No

Significant deficiencies identified not considered to be material weaknesses: No

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with
OMB Circular A-133, Section .510(a)? No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>	<u>Amount</u>
84.268	Federal Direct Loans	696,365
84.063	Pell Grant Program	621,534
84.033	Federal Work Study Programs	1,687

Dollar threshold used to distinguish between Type A and Type B programs \$ 300,000

Auditee qualified as a low-risk auditee? No

Schedule of Findings and Questioned Costs
Under Government Auditing Standards

None

For year ended June 30, 2015

Schedule of Findings and Questioned Costs
Under OMB Circular A-133

None

For year ended June 30, 2015